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## Sale of Qualifying Deductions under Group Relief System

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### Introduction

Section 37C of the Income Tax Act, Cap. 134 provides for a loss-transfer system for group relief for companies whereby certain un-utilised losses, capital allowances and donations (“Qualifying Deductions”) of a company are allowed to be offset against the assessable income of a related company in the same group for tax purposes (“Group Relief”).

Keppel Telecommunications & Transportation Ltd (“KT&T” or the “Company”) wishes to announce that its subsidiary named below (the “Transferor”) has today entered into a sale and purchase agreement with Keppel Fels Limited (“Claimant”), a subsidiary of Keppel Corporation Limited (“KCL”), for the transfer of its available Qualifying Deductions for year of assessment 2016, subject to the approval of the Comptroller of Income Tax (“CIT”):

	<b>Transferor</b>	<b>Claimant</b>	<b>Qualifying Deductions (\$)</b>	<b>Subvention Payments (\$)</b>
1.	Keppel Logistics Pte Ltd	Keppel Fels Limited	11,803,205	2,006,544.85

In consideration of the transfer of the Qualifying Deductions by the Transferor, Claimant will pay the Transferor a sum being an amount equal to the Qualifying Deductions to be transferred multiplied by the prevailing corporate tax rate of 17% (the “Subvention Payment”). Pending the tax assessment by the CIT, the Subvention Payment has been paid in advance by the Claimants, subject to adjustment after the CIT’s tax assessment.

### Benefits to KT&T and Financial Impact

The Subvention Payment paid by the Claimant to the relevant Transferor is equal to the tax savings that the Transferor would have gained if it were to retain the Qualifying Deductions to offset against its future assessable income instead of transferring them to the Claimant, assuming that corporate tax rates remain constant in the future years.

The Company, through the Transferor, will take into account the benefits of the proposed transfer in the financial year 2016. The above transaction is not expected to have any material impact on the consolidated earnings and net tangible assets of the KT&T group of companies for the current financial year.

Pending the CIT’s assessment of the Qualifying Deductions, the Company and the Transferor will carry out periodic reviews of the status of the Group Relief claims and make the appropriate adjustments in 2017 and subsequent years.

**Audit Committee Statement**

The Audit Committee has reviewed the terms of the above transaction and is of the view that the transfer of the Qualifying Deductions is on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

Tan Wah Nam / Kenny Lee  
Company Secretaries  
6 December 2016